



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Hometown Bancshares, Inc./Hometown Bank

Person to be contacted regarding this report:	Tim Barnes
CPP Funds Received:	\$1,900,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	2/13/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	2955300
Holding Company Docket Number: (For Thrift Holding Companies)	n/a
FDIC Certificate Number: (For Depository Institutions)	35455
City:	Corbin
State:	Kentucky

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	During the ten months that the bank had CPP funds, lending was reduced by \$2.38M of which \$1.403 was associated with charged off loans or moving loans to OREO. The CPP funds allowed the bank to be activity in seek loan growth.
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<input type="checkbox"/>	<p>To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).</p>	
<input type="checkbox"/>	<p>Increase securities purchased (ABS, MBS, etc.).</p>	
<input checked="" type="checkbox"/>	<p>Make other investments</p>	<p>The bank opened a new location in Barbourville, KY in September 2008 and the CPP funds allowed the bank additional capital to grow this location. As of March 31, 2010, this location had total loans of \$10.08M and deposits of \$4.96M</p>
<input checked="" type="checkbox"/>	<p>Increase reserves for non-performing assets</p>	<p>The allowance for loan loss reserve grew by \$150,000 from 2/13/09, the CPP funding date, to year end 2009.</p>

<input checked="" type="checkbox"/>	Reduce borrowings	Federal Loan Bank Advances were reduced by \$500,000 from 2/13/09, the CPP funding date, to year end 2009. Holding company debt was reduced by \$155,000.
<input checked="" type="checkbox"/>	Increase charge-offs	The bank had increased charge off in 2009 which totaled \$427K. OREO and ORA also increased.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Of the \$1.9M in CPP funding, \$750,000 was injected into bank by holding company as capital. The balance off the funds were held as future capital injections.

What actions were you able to avoid because of the capital infusion of CPP funds?

Hometown Bank was able to continue to grow by approximately \$2.2 million from February 2009 to March 2010 due to the cash injection from the holding company while increasing capital from 7.94% at 2/28/09 to 8.51% at 3/31/10. Hometown Bank was actively seeking loan growth in 2009 which would not have been possible without the CPP funding. Due to the CPP funds, the holding company was not forced into an additional capital sale in a down market.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Hometown Bank would have taken steps to reduce loans and deposits in an effort to reduce total assets and build capital if the bank did not receive the CPP funds. Total reduction in assets would have been approximately \$3.5M based upon keeping capital levels greater than 8.0%. The desire for loan growth would have been at a minimum.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

The CPP funds allowed Hometown Bank to seek loan growth and deposit growth at our new Barbourville location which now serves as host to the Bank's secondary mar

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